



Aberdeen Rapid Transit

Detailed Options Appraisal

Supporting Technical Note A – Transport Act Scoping Research

On behalf of:

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1 Transport Act Scoping Study Review

1.1 Introduction

- 1.1.1 In January 2022, a scoping report was produced for Strathclyde Partnership for Transport (SPT) and Glasgow City Council (GCC) that reviewed the options available to local transport authorities (LTAs) arising from the Transport (Scotland) Act 2019¹.
- 1.1.2 This technical note provides a summary of the report and considers the lessons and insights that can be taken from it to feed into the options appraisal for ART. It sets out the report's identification of the key attributes of 'world class' public transport systems, and an assessment of the extent to which different regulatory options could deliver these attributes. The options assessed are, in turn, Bus Service Improvement Partnerships (BSIPs), franchising and municipal ownership. Finally, the report's key findings and conclusions are set out.
- 1.1.3 Throughout the technical note, commentary on the findings from the perspective of the ART study is provided.

1.2 Key Attributes of World Class Systems

- 1.2.1 Based on online research of comparator cities and city regions, the report identifies key indicators of success for public transport systems. These are summarised below, together with the cities that performed best against each parameter:
- High level of bus use by catchment population – Paris, Amsterdam, Zurich
 - High average bus operating speeds – Rotterdam, Singapore, Vienna
 - Integration through multi-operator and multi-modal ticketing – all cities studied
 - Low and simple fares – Singapore, Berlin, Dresden and free travel in Dunkirk
 - Good air quality (as a proxy for carbon impact) – all European cities studied but none outwith Europe
 - High user satisfaction – Singapore, Stockholm
 - High public capital spending – Singapore, Zurich, Dresden
 - Access restraints to general traffic, e.g., by LEZ, road user charging – 'most' cities studied.
- 1.2.2 The report noted that the exemplar cities have much higher levels of public expenditure on public transport than is usual in the UK, with the majority spending more than twice as much per head of population as London (based on 2019 data) and Singapore spending almost four times as much.
- 1.2.3 On fares, the report found that all the exemplar cities had a single transport body responsible for pricing and ticketing decisions and none was decided commercially by the market.
- 1.2.4 **These attributes align well with the ART vision but, as elsewhere in the UK, current performance is some way lower than the exemplars and significant funding is likely to be required to attain world class status.**

¹ <https://www.spt.co.uk/media/hmybrt5l/bus-scoping-study-final-report-january-2022.pdf>

1.3 BSIP

- 1.3.1 The report notes that Bus Service Improvement Partnerships (BSIPs) were enabled by the 2019 Act following what Transport Scotland described as “a disappointing level of uptake” for the formation of statutory quality partnerships using the previous legislation.
- 1.3.2 At the time the report was prepared, some of the legislative details related to the creation of BSIPs were yet to be formalised through Regulations ratified by Parliament, including what constitutes a ‘majority’ of operators taking account of the smaller and larger operators in the market. A consultation on these regulations was conducted between July and October 2021 and the final resulting Regulations were due to be laid in summer 2022.
- 1.3.3 **The latest update from the Scottish Government is that Regulations relating to both BSIPs, and franchising will be introduced before the end of 2023.**
- 1.3.4 While no LTA has been able to complete the BSIP process in Scotland yet, the report has reviewed arrangements for establishing Enhanced Partnerships in England; these bearing many similarities to a BSIP. The report considers that the establishment of a BSIP Plan and BSIP Scheme should take between 9 months and 12 months from initial informal discussions to the commencement of the scheme and its statutory commitments. They note that it is not considered practical for the process to establish a BSIP to commence, other than the informal discussions, until the regulations have been ratified.
- 1.3.5 The report states that the cost of establishing a BSIP Plan and Scheme will be dependent on the size of the scheme area, the level of commitments envisaged and the amount of LTA and bus operator resource that can be ‘gifted’ to the process. That said, the report states that it is understood that most BSIPs would require a review of the current network including gap analysis, a review of delays to buses on significant corridors leading to a programme of bus priority works, and a review of multi-operator and multi-modal ticketing. The report suggests a budget of around £1.5 million for an area the size of the Glasgow & Strathclyde region.
- 1.3.6 The report also notes that the management and oversight of a BSIP is also a considerable task that existing stretched LTA resources are very unlikely to be able to cover. They therefore recommend a budget of an additional £50,000 to £100,000 of revenue spend per annum, depending on the size of authority, noting that this could grow to around £200,000 to £250,000 per annum for a region-wide BSIP.
- 1.3.7 **On a population basis, the budgets quoted above would translate to costs of circa £300,000 to set up a BSIP for Aberdeen and Aberdeenshire with annual revenue spend thereafter of £20,000 to £100,000.**

Assessment of BSIP

- 1.3.8 The report assesses the extent to which a BSIP could contribute to achievement of the “world class” public transport attributes set out above and the commentary is summarised in the table below.

Table 1.1: Monitoring and Evaluation Plan Summary

Service Attribute	BSIP
High level of bus use by catchment population	Consider a BSIP is a very suitable way to secure capital investment to benefit bus passengers. It may be a vehicle for delivering transformational change but achieving agreement of a majority of bus operators may be problematic. BSIP can facilitate agreement to 'recycle' saved vehicle resources and improve network coverage elsewhere, but that is reliant on operator agreement up front during difficult times commercially.

Service Attribute	BSIP
High average bus operating speeds	Overall, a BSIP is a very suitable way to secure investment in bus priority measures. Improved standards for bus services can be agreed at corridor and local authority level, BSIP has direct access to capital funding for bus improvement measures for pre-qualified local authorities.
Integration through multi-operator and multi-modal ticketing	Inclusion of new fare products in the BSIP would become statutory requirements, however they would require a majority of operators to approve them before the BSIP is formed.
Low and simple fares	Inclusion of cheaper fares in the BSIP would become statutory requirements, however they would require a majority of operators to approve them before the BSIP is formed. A BSIP cannot exercise control of all operators' own fares.
Good air quality (as a proxy for carbon impact)	A BSIP is an appropriate way to introduce newer and cleaner buses to a network, establishing a binding statutory duty to deliver.
High user satisfaction	Derived from direct measures
High public capital spending	Potentially through Bus Partnership Fund
Access restraints to general traffic	A BSIP could include measures that lead to significant reductions in car traffic.

1.4 Franchising

- 1.4.1 The report provides an overview of the bus franchising model contained in the 2019 Act and sets out key risks and some potential opportunities. First, it identifies risks associated with establishing a new franchising framework:
- LTA will require considerable staff resources and budget: the report quotes Nexus having spent £2.8m to the point where it abandoned its quality contract scheme proposals and was set to spend a further £1.2m to complete the process and have a franchising framework in place.
 - Risk of resistance from incumbent operators who consider that the commercial returns from their services will be adversely affected. Conflict and legal challenges could extend the timescales for navigating the process, and also lead to considerable costs in obtaining legal and technical advice.
 - Risks associated with the Independent Panel that has to decide whether the scheme should proceed, with or without amendments. The current legislation in England does not include this independent panel stage, but previous legislation did insert an independent review stage – the Quality Contracts Scheme (QCS) Board – and such a Board was convened only once, in 2015 when Nexus attempted to implement a QCS in Tyne & Wear. Requiring a small expert panel, acting alone, to assimilate that level of information is a **major ask**.
- 1.4.2 The three-person Nexus Board received a very significant volume of evidence (over 10,000 pages of reports prepared by all parties interested in the Scheme) and came to certain conclusions that Nexus, the promoter of the Scheme, did not believe were supported by the evidence presented. It is possible that the Scottish legislation builds in a risk that a similar panel could receive a similar deluge of information and draw similarly unsupported conclusions, which could be to the detriment of the LTA's ambitions.
- 1.4.3 The report identifies further risks associated with the running of a franchising framework:

- LTA takes the revenue risk for any changes in demand and income, although it notes that the COVID19 pandemic showed that when a major shock leads to a collapse in bus farebox revenues, the industry already has to rely on the public purse to intervene.
- LTA is in a far more influential position over bus service provision than today, but should things go wrong with bus services it will be the LTA that will be answerable; and when external events impact upon bus service operations or usage, it will be for the LTA to put in place mitigating measures.
- Need for a comprehensively revamped governance model with expanded staffing and resources to enable the LTA to:
 - plan and integrate bus networks and set fares
 - determine the outcomes of tender competitions for the franchising contracts
 - process fare revenue information and make contract payments to operators, taking account of any adjustments that may apply as a result of performance against KPIs
 - review bus networks and fares on a regular basis, taking account of the democratic say of local representatives, in order to ensure that bus services continue to meet objectives and match passenger needs
 - manage the transition from one operator to another when the franchise contracts start and when they change hands in future.

1.4.4 Notwithstanding the above, the report notes that an effective Bus Franchising Scheme may be able to take steps that will slow the decline in performance of weaker bus services and attract more passengers (and farebox revenues) in comparison to the current deregulated operating model. This would mean that difficult decisions about service cuts could be postponed. The report observes that business cases developed by the authorities promoting Bus Franchising Schemes do forecast this effect and that for many years significant investment in bus services in London, where a form of bus franchising exists, did lead to passenger growth.

1.4.5 The report also considers the timescales likely required to make a franchising framework and notes that no LTA in Scotland has yet completed the process (or even commenced it). Drawing on experience in England from Greater Manchester and the Tyne & Wear quality contract scheme, it suggests the process would take around seven years from commencement to enactment of the franchising scheme.

Assessment of Bus Franchising

1.4.6 The table below summarises the assessment of the extent to which a franchising framework could contribute to achievement of “world class” public transport attributes set out above.

Table 1.2: Monitoring and Evaluation Plan Summary

Service Attribute	BSIP
High level of bus use by catchment population	Overall, Bus Franchising is an appropriate model for securing a significant transformation by inserting a single controlling authority across the whole bus network. This has the potential to drive a significant additional increase in bus patronage compared to current operations. Bus Franchising has differentiating features that mean it could deliver more improvements for the same resources currently required to deliver today's network.
High average bus operating speeds	Bus Franchising can ensure that enhanced service standards can be achieved, through the specification of contracts and the provision of

Service Attribute	BSIP
	supporting bus infrastructure that are both determined by a single integrated decision maker, the local transport authority.
Integration through multi-operator and multi-modal ticketing	Integration is a key feature that can be baked into a Bus Franchising Scheme, integrating the networks and fares of different operators into one network and one fares offer, then integrating that one network and one fares offer with other modes.
Low and simple fares	The single integrated decision maker for a Bus Franchising Scheme enables bus fares to be simplified and reduced provided that the cost of operating the franchising contracts can still be covered by farebox revenues, local transport authority spend commitments and external grants.
Good air quality (as a proxy for carbon impact)	Bus Franchising can mandate the use of an enhanced minimum vehicle standard, provided the increased cost of purchase/lease and operation can be accommodated by the contract cost budget for the Scheme.
High user satisfaction	Derived from direct measures
High public capital spending	Uncertain
Access restraints to general traffic	Franchising could be accompanied by measures that lead to significant reductions in car traffic.

1.4.7 A franchising framework in Aberdeen and some or all of Aberdeenshire would be a geographically smaller and potentially simpler concept than the situation in Glasgow and Strathclyde assessed within the report, but the principles and the processes would be the same, as would the risks.

1.5 Municipal Ownership

1.5.1 The report sets out how a municipally owned bus operation could be established to compete for contracts and operate registered bus services and assesses the key issues involved. The municipal operator would likely be an arms-length company wholly owned by the local authority, providing suitable separation when competing for tendered bus service contracts (as is the case in Edinburgh and Lothian Buses).

1.5.2 The report identifies a number of initial steps in the process:

- Establish an arms-length company with social value objectives related to public transport and the authority's general policies
- Acquire assets (a depot and some public service vehicles) and appoint a Transport Manager, then acquire an Operator's Licence from the Traffic Commissioners. These tasks would have to be done "at risk" financially
- Begin to tender for secured bus service contracts, recruit staff to operate those services (some staff might be available via TUPE) and secure a workload that allows the company to consolidate and grow as contracts are awarded.
- Where gaps in the current bus service provision are identified and the municipal operator believes it can make a reasonable return, new commercial services can be registered and operated.

1.5.3 An alternative approach to that described above would be for the LTA to acquire one or more bus operators' assets and business. There is no precedent for taking this course of action so the cost of acquiring these businesses is unknown. The report notes that Go Ahead Group recently paid £11.2m to acquire a bus operation of 160 buses from First Group in Manchester;

however, this fleet required significant additional investment to enhance its quality after years of delayed fleet renewal, so a more accurate indication might be circa £20m.

- 1.5.4 A potential third option, to compete on-the-road for business as an aggressive commercially focussed operator, attempting to drive existing operators from the market in a way that was seen in a number of towns and cities after bus deregulation in the 1980s, is not considered credible.
- 1.5.5 The report also considers municipal ownership in the context of a franchising framework. The timescales and setup costs associated with a bus franchising scheme as set out above would therefore apply to this option. Once the franchise scheme is approved, the municipal operator can compete for contracts on an even playing field. Over time, the municipal operator may well be able to win sufficient contracts that it achieves market dominance and can operate the majority of, or even all of, the bus franchising contracts. However, achieving that position cannot be guaranteed, it can only be an ambition for the municipal operator that will have to be realised through proper and fair procurement processes for bus franchising contracts.
- 1.5.6 It may be the case that a municipal operator is constituted in a way that means it can accept lower profit margins than large bus operators – though the municipal operator must make sufficient margins to invest in its assets and staff in order that it can sustain its place as a quality operator of bus services. On the other hand, a municipally owned operator could be under pressure to offer its staff terms and conditions commensurate with other public sector workers, which could impact the cost of employing bus workers. This is a complex area that will only be resolved as the municipal operator finds its place in the tendered services market place, and subsequently the bus franchising market place.
- 1.5.7 The report suggests that establishing a single municipally owned operator for all services will take several years - at least six years via a franchising route, and potentially a similar period via acquisition. The acquisition option will also require significant up-front investment that will need to be paid back by the municipal operator's profit margins.
- 1.5.8 If the municipal ownership option is to be pursued, then a significant amount of work is required to develop a strategy for both setting up the company and then equipping it with the resources to compete for bus franchising contracts or acquire the businesses of existing operators should a purchase become possible.

Assessment of Municipal Ownership

- A.1.1 The table below summarises the assessment of the extent to which municipal ownership could contribute to achievement of “world class” public transport attributes set out above.

Table 1.3: Monitoring and Evaluation Plan Summary

Service Attribute	BSIP
High level of bus use by catchment population	Overall, consider that in the longer term a single municipally owned bus operator can grow to a considerable corporate size and place its focus on social and economic outcomes. These features can be used to drive a significant bus service transformation and deliver significant additional increase in bus patronage compared to current operations.
High average bus operating speeds	Not directly related to ownership model.
Integration through multi-operator and multi-modal ticketing	Not directly related to ownership model.
Low and simple fares	No material impact in short term. In the longer term a single municipally owned operator can be empowered to implement simplified and reduced bus fares provided

Service Attribute	BSIP
	that the cost of operating services can still be covered by farebox revenues, local transport authority funds and external grants.
Good air quality (as a proxy for carbon impact)	No material impact in short term. In the longer term a municipally owned operator can invest its profits into acquiring and operating buses to a higher minimum vehicle standard, including zero emission vehicles. In time, an expanded operation can attract motorists from their cars and achieve further reductions in transport-related emissions and carbon impacts.
High user satisfaction	Derived from direct measures
High public capital spending	Not discussed
Access restraints to general traffic	Not directly related to ownership model.

1.6 Stakeholder Engagement

- 1.6.1 It is worth noting that attempts were made during the study to engage with a number of local bus operators of varying sizes as well as local authorities and other stakeholders. However, of nine operators contacted, only three went on to meet the consultants. Of the others, one stated that it did not wish to participate in the exercise and five failed to reply.
- 1.6.2 Though the study – and this ART work – can only speculate on why this happened it is perhaps a cautionary reminder of the crucial need to keep operators involved and engaged.

1.7 Key Findings

- 1.7.1 The report provides much helpful guidance on the issues involved in transforming to a “world class” bus operation. At a management level, it rightly emphasises the importance of adopting a clear set of objectives and outcomes to provide focus for both LTAs and bus operators.
- 1.7.2 The report delivers **three key conclusions** that are important for the future development of the ART concept and project. These are:
- **Time – setting the framework to deliver a “world class” public transport system requires considerable preparation and planning, potentially up to seven years for bus franchising**
 - **Set Up Cost – there are costs associated with the development of the regulatory framework as well as the planning and mobilisation for an enhanced public transport offer. This could be of the order of £300,000**
 - **“World Class” Costs – the exemplar public transport systems are publicly funded to a far greater degree than is current practice in Scotland. Experience from these operations suggests that the aspiration for a “world class” system will likely incur significant additional revenue costs not met by commensurate farebox growth.**